

DHS - DIV OF CHILD CARE/EARLY CHILDHOOD ED

Enabling Laws

Act 49 of the Second Extraordinary Session of 2003
Act 1481 of 2003
A.C.A. §20-76-105 et seq
A.C.A. §20-78-202 et seq
A.C.A. §20-78-501 et seq
A.C.A. §25-10-102

History and Organization

The purpose of the Division of Child Care and Early Childhood Education is to enhance the coordination of child care and early childhood education programs within the state. This coordination ensures a seamless delivery of service to low-income families and those who are moving from welfare to work.

The Division working with the Arkansas Early Childhood Commission, adopted the following mission statement: "As good stewards of the public trust, we will support and advise the Division by ensuring that all Arkansas children and families have access to a safe, high-quality, developmentally appropriate (nurturing learning) environment (and) by educating and assisting parents, child care providers, and communities to prepare our children for future success."

The Division is comprised of six sections: one regulatory, one compliance, three programmatic and one administrative. The Division currently has 120 budgeted positions in addition to 13 extra help positions. The name of the sections and a brief description of their functions follow:

Child Care Licensing - This is the largest section within the Division with 53 positions. Many of these positions are located in DHS county offices. Licensing specialists perform on site reviews of child care centers in addition to licensed homes and registered homes. This section is also responsible for maintaining the Criminal Records Check System (Act 1198 of 1997) in conjunction with the Arkansas State Police. This system checks the police record of all workers in child care centers, licensed or registered homes.

Compliance - Works with the programmatic sections of the Division and other appropriate Divisions within the Department to coordinate and track issues dealing with provider fraud, overpayments and audits.

Family Support - This section supports services to Temporary Employment Assistance (TEA), transitional and low-income working families by providing subsidized child care services on a sliding fee basis. Child Care eligibility workers are located regionally across the state.

Special Nutrition Program - This program is comprised of four programs funded by the U.S.

Department of Agriculture (USDA) and administered by the state. These programs reimburse sponsors for meals and snacks served at approved feeding sites. The programs are the Child & Adult Care Food Program, the Summer Food Service Program for Children, Special Milk and National School Lunch.

Program Development - This activity is the major outreach section of the Division. This section provides a multitude of diverse services designed to improve the quantity and quality of child care services within the state. These services blend funds from state and federal sources.

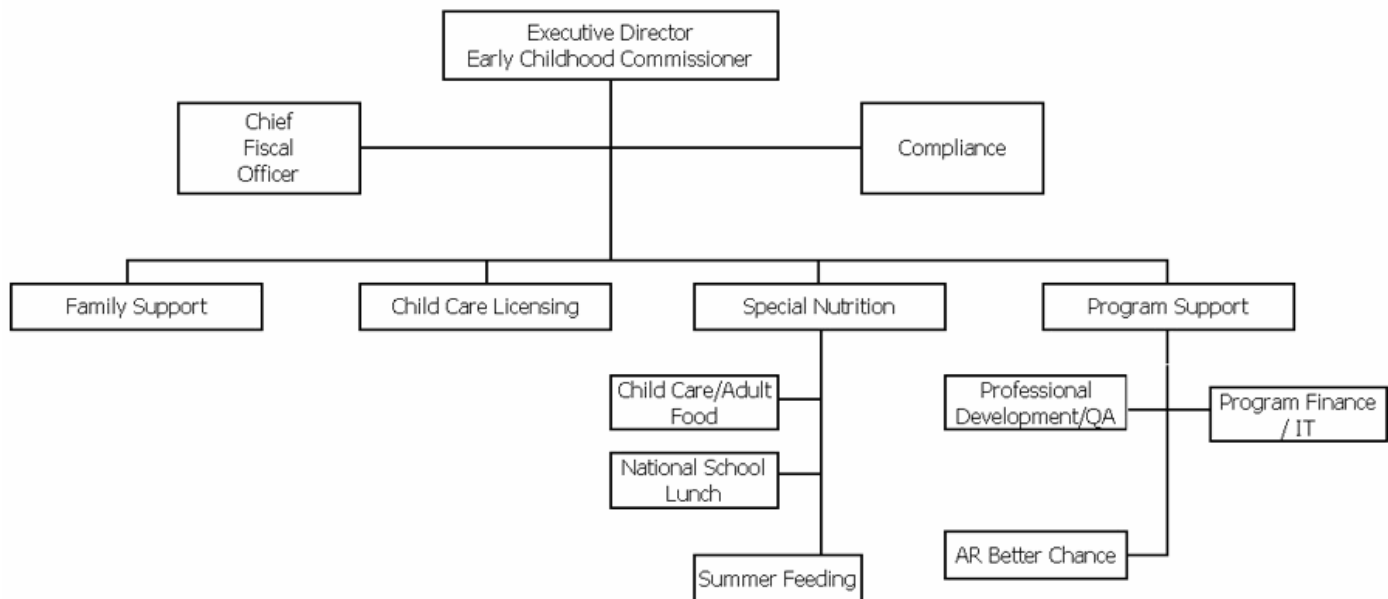
A listing of these services follow:

- * ARKANSAS BETTER CHANCE (ABC) - The State's Public Pre-K program
- * ENHANCEMENT GRANTS
- * TRAINING GRANTS
- * CHILD DEVELOPMENT ASSOCIATION (CDA) SCHOLARSHIPS
- * TECHNICAL ASSISTANCE TO PROGRAMS
- * ARKANSAS CHILD CARE FACILITIES GUARANTEE LOAN FUND
- * CHILD CARE FACILITIES FUNDING/COMMUNITY DEVELOPMENT BLOCK GRANT
- * ARKANSAS CHILD CARE RESOURCE CENTER
- * ACCREDITATION/APPROVAL SYSTEM
- * PARENT INFORMATION & CHILD CARE RESOURCE AND REFERRAL SERVICES
- * EARLY LITERACY LEARNING IN ARKANSAS (Pre K ELLA)
- * KINDERGARTEN READINESS - INDICATORS

The creation of the Division consolidated three (3) existing boards into one. The affected boards were the Child Care Facility Review Board, the Arkansas Early Childhood Commission and the Child Care Provider Training Committee. These review boards were consolidated into a new Arkansas Early Childhood Commission that advises the Division and has regulatory approval for all minimum licensing standards.

Act 1132 was amended in 1999 in order to establish the Child Care Appeal Review Committee. This panel reviews appealed adverse action taken by the Child Care Licensing Section against a child care provider and hears any unresolved disputes between that Section and the child care providers regarding: 1) substantial compliance with the published standards; 2) founded licensing complaint; 3) denial of alternative compliance request.

Providers, staff and above all families have benefited from these efforts to support working families and school readiness by the consolidation and streamlining of administrative functions within the Division.



Agency Commentary

The Division of Child Care and Early Childhood Education requests the following appropriation for the 2005-2007 biennial budget. The change requests are as follows:

For SFY 2006

- Appropriation 896 \$ 1,386,507 in federal appropriation
- Appropriation 896 \$ 800,000 in other appropriation
- Appropriation 405 \$ 1,993,500 in federal appropriation
- Appropriation 320 \$ 6,000,000 in federal appropriation
- Appropriation 890 \$ 3,900,000 in federal appropriation
- Appropriation 929 \$ 100,000 in other appropriation

Total \$14,180,007

For SFY 2007

- Appropriation 896 \$ 1,409,444 in federal appropriation
- Appropriation 896 \$ 800,000 in other appropriation
- Appropriation 405 \$ 1,993,500 in federal appropriation
- Appropriation 320 \$ 6,000,000 in federal appropriation
- Appropriation 890 \$ 4,000,000 in federal appropriation
- Appropriation 929 \$ 100,000 in other appropriation

Total \$14,302,944

The Division is not requesting any general revenue. The appropriation requested will be funded from federal and other monies. Beyond basic annual growth in federal programs, the Division is expanding or enhancing services in three areas. The first area is in quality child care. The Arkansas

Better Chance (ABC) Program for School Success received a \$40 million dollar increase during the previous special session. Of this amount, 2% is to be used for administration of the program. The Division is requesting appropriation to utilize this 2%. The ABC program, which is managed by the Division for the Department of Education, will work with area providers to develop or expand quality child care services in areas designate as priority. The second area deals with the subsidized child care program. This program provides over \$40 million annually in subsidized child care services. These monies provide subsidized assistance to: (a) low-income working families, (b) families receiving Temporary Employee Assistance (TEA), and (c) families who have transition from TEA to the workforce. Historically, the Division of County Operations (DCO) served the TEA and Transitioning families. This transfer of all functions to the Division results in a more effective program and better service delivery to families. The final request is additional appropriation to support maintenance and operation needs of the Child Care Licensing Unit. An increase is sought to allow increased licensing monitoring of high priority child care facilities; undertake a proactive approach to minimize serious licensing deficiencies; and to timely respond to information obtained in criminal background checks of potential child care facilities employees. In addition, the Division would pursue the purchase of PC "tablet" hardware that would allow the licensing specialist to efficiently gather information on-site using automated user-friendly forms and download the information to the licensing database upon their return to the office.

Appropriation 896:

Regular Salaries - (Commitment Item 501:00:00)

The Division requests appropriation for 34 positions. These are existing, but unbudgeted positions being transferred to the DCCECE from other Division within the Department:

SFY 2006 - \$992,394	SFY 2007 - \$1,021,860
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Personal Services Matching - (Commitment Item 501:00:03)

The Division requests appropriation for Personal Services Matching. This request relates to the salary appropriation also being requested by the Division.

SFY 2006 - \$333,842	SFY 2007 - \$339,649
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Maintenance & Operation - (Commitment Item 502:00:02)

The Division requests appropriation to be used in the following areas:

- ABC Program
SFY 2006 - \$253,809 SFY 2007 - \$241,473
- Support the transfer of 26 staff for Subsidized Child Care
SFY 2006 - \$236,795 SFY 2007 - \$236,795
- Support Child Care Licensing
SFY 2006 - \$108,667 SFY 2007 - \$108,667
- Allow for an annual market rate survey
SFY 2006 - \$22,400 SFY 2007 - \$22,400
- Allow the printing and distribution of Readiness Indicator Calendars
SFY 2006 - \$100,000 SFY 2007 - \$100,000

Total requested:

SFY 2006 - \$721,671

SFY 2007 - \$709,335

Travel and Conference Fees - (Commitment Item 505:00:09)

Appropriation is requested to allow the Division to provide staff development and training for new employees that support the following areas:

- ABC Program
SFY 2006 - \$10,000 SFY 2007 - \$10,000
- Support the transfer of 26 staff for Subsidized Child Care
SFY 2006 - \$3,600 SFY 2007 - \$3,600

Total Requested:

SFY 2006 - \$13,600

SFY 2007 - \$13,600

Professional Services & Contracts - (Commitment Item 506:00:10)

Appropriation is requested to allow the Division to purchase professional services (utilizing contract(s)) to assist the Division in the monitoring and gathering of information necessary for the effective evaluation of the expanded Arkansas Better Chance for School Success program.

The Division requests:

SFY 2006 - \$125,000

SFY 2007 - \$125,000

Appropriation 405:

Grants and Aid - (Commitment Item 510:00:04)

This appropriation reflects the Mandatory, Maintenance-of-Effort (MOE) and Matching aspects of the Child Care Development Fund Block Grant. These monies are prioritized to fund families on or at-risk of entering the welfare system (TEA). This request originated from an analysis of the prior 5 years of federal awards. The federal matching portion of the grant has grown at an average of 6.9% and continued growth is anticipated.

The Division requests appropriation increase for each year of the biennium in the following amounts:

SFY 2006 - \$1,993,500

SFY 2007 - \$1,993,500

Appropriation 320:

Grant and Aid - (Commitment Item 510:00:04)

The Division is requesting appropriation for the Discretionary Fund that is a component of the Child Care Development Fund Block Grant in anticipation of TANF transfers that will be used to serve low-income working parents and parents at-risk of entering the welfare system (TEA). The Division requests for each year of the biennium in the following amounts:

SFY 2006 - \$6,000,000

SFY 2007 - \$6,000,000

Appropriation 890:

Grant and Aid - (Commitment Item 510:00:04)

Appropriation is requested for each year of the biennium to support service growth in the Special Nutrition Program, which is funded by the U.S. Department of Agriculture. This program funds are 100% federal and are uncapped. They can be used to reimburse enrolled providers serving eligible children nutritious meals and snacks. This program has experienced a sustained growth over a number of years. The Division requests appropriation in the following amounts:

SFY 2006 - \$3,900,000

SFY 2007 - \$4,000,000

Appropriation 929:

Loan - (Commitment Item 512:00:29)

The Division respectfully requests the creation of a new Fund Center - Appropriation that will allow the Division to effectively manage the Arkansas Child Care Facilities Loan Guarantee Trust Fund as established in Arkansas Code Annotated §20-78-503. In addition to the establishment of the Center the Division requests accompanying appropriation in the following amount:

SFY 2006 - \$100,000

SFY 2007 - \$100,000

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
DEPARTMENT OF HUMAN SERVICES
FOR THE YEAR ENDED JUNE 30, 2002

Findings

Recommendations

Audit findings are reported under the DHS-Director's Office/Office of Chief Counsel on page 3.

Publications

A.C.A 25-1-204

Name	Statutory Authorization	Required for		# Of Copies	Reason (s) for Continued Publication and Distribution
		Governor	General Assembly		
Annual evaluation of the Arkansas Better Chance (ABC) For School Success Program	Act 49 of the Second Extraordinary Session of 2003	N	Y	1	The report will be an evaluation of the ABC Programs and is needed to ensure that the program goals and intended child outcomes are being achieved.
Annual report and mission statement of the Arkansas Early Childhood Commission	A.C.A. 20-78-501, 20-78-502	N	Y	1	The annual report of the Commission keeps the Governor and Legislators apprised of the activities of the division that strongly impacts the workforce of the state as well as the health and safety of many of the State's children.
Annual Status report on the Arkansas Child Care Facilities Loan Guarantee Trust Fund	A.C.A. 20-78-505	N	Y	1	The division believes the reporting adds accountability to the Division's management of these monies. The fund is unique in that it allows the Division to place the monies in interest bearing CD's across the state to support start-up or expansion loans to child care facilities.

Department Appropriation / Program Summary

Historical Data						Agency Request and Executive Recommendation									
Appropriation / Program		2003-2004		2004-2005		2004-2005		2005-2006				2006-2007			
		Actual	Pos	Budget	Pos	Authorized	Pos	Agency	Pos	Executive	Pos	Agency	Pos	Executive	Pos
320	Chld Care/Early Chld	26,684,752	0	29,741,878	0	29,741,878	0	35,741,878	0	35,741,878	0	35,741,878	0	35,741,878	0
890	Food Prgm	29,644,862	0	30,000,000	0	30,000,000	0	33,900,000	0	33,900,000	0	34,000,000	0	34,000,000	0
896	Div of Child Care/Early Childhood	11,177,201	120	11,487,661	120	11,214,351	120	13,872,939	156	13,842,548	156	14,037,318	156	14,006,927	156
898	Child Care Grant/Aids	21,888,169	0	28,891,392	0	28,891,392	0	30,884,892	0	30,884,892	0	30,884,892	0	30,884,892	0
929	Chld Care-Treas Pay	7,051	0	100,000	0	0	0	100,000	0	100,000	0	100,000	0	100,000	0
Total		89,402,035	120	100,220,931	120	99,847,621	120	114,499,709	156	114,469,318	156	114,764,088	156	114,733,697	156

Funding Sources			%		%			%		%		%		%
General Revenue	4000010	6,591,640	7.4	6,792,676	6.8		6,801,807	5.9	6,801,807	5.9	6,808,302	5.9	6,808,302	5.9
Federal Revenue	4000020	82,025,387	91.7	91,594,755	91.4		105,062,092	91.8	105,062,092	91.8	105,318,331	91.8	105,318,331	91.8
Cash Fund	4000045	7,051	0.0	100,000	0.1		100,000	0.1	100,000	0.1	100,000	0.1	100,000	0.1
Various Program Support	4000730	777,957	0.9	1,733,500	1.7		2,535,810	2.2	2,535,810	2.2	2,537,455	2.2	2,537,455	2.2
Total Funds		89,402,035	100.0	100,220,931	100.0		114,499,709	100.0	114,499,709	100.0	114,764,088	100.0	114,764,088	100.0
Excess Appropriation/(Funding)		0		0			0		(30,391)		0		(30,391)	
Grand Total		89,402,035		100,220,931			114,499,709		114,469,318		114,764,088		114,733,697	

Analysis of Budget Request

Appropriation / Program: 320 - Chld Care/Early Chld

Funding Sources: FWF-DHS-Federal

The Child Care and Development Block Grant (CCDF) consolidates childcare assistance programs and requires states to develop an integrated service delivery system to meet the needs of low income families. This appropriation is for the Discretionary category of funds.

Specifically, these funds are targeted for low income working families and those transitioning off welfare to obtain child care so they can work or obtain the training necessary to obtain employment or attend educational programs that will lead to employment.

Funding for this appropriation is derived from Federal Revenue.

The Agency Base Level request for this appropriation is \$29,741,878 for each year of the biennium.

The Agency Change Level request for this appropriation is \$6,000,000 for each year of the biennium. This fund is a component of the Child Care and Development Block Grant. The Division anticipates Temporary Assistance for Needy Families (TANF) transfers that will be used to serve low-income working parents and parents at-risk of entering the welfare system.

The Executive Recommendation provides for the Agency Request.

Appropriation / Program Summary

Appropriation / Program: 320 Chld Care/Early Chld
Funding Sources: FWF-DHS-Federal

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2003-2004	2004-2005	2004-2005	2005-2006			2006-2007		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Grants and Aid 5100004	26,684,752	29,741,878	29,741,878	29,741,878	35,741,878	35,741,878	29,741,878	35,741,878	35,741,878
Total	26,684,752	29,741,878	29,741,878	29,741,878	35,741,878	35,741,878	29,741,878	35,741,878	35,741,878
Funding Sources									
Federal Revenue 4000020	26,684,752	29,741,878		29,741,878	35,741,878	35,741,878	29,741,878	35,741,878	35,741,878
Total Funding	26,684,752	29,741,878		29,741,878	35,741,878	35,741,878	29,741,878	35,741,878	35,741,878
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	26,684,752	29,741,878		29,741,878	35,741,878	35,741,878	29,741,878	35,741,878	35,741,878

Change Level by Appropriation

Appropriation / Program: 320-Chld Care/Early Chld

Funding Sources: FWF-DHS-Federal

Agency Request

Change Level		2005-2006	Pos	Cumulative	% of BL	2006-2007	Pos	Cumulative	% of BL
BL	Base Level	29,741,878	0	29,741,878	100.0	29,741,878	0	29,741,878	100.0
C01	Existing Program	6,000,000	0	35,741,878	120.1	6,000,000	0	35,741,878	120.1

Executive Recommendation

Change Level		2005-2006	Pos	Cumulative	% of BL	2006-2007	Pos	Cumulative	% of BL
BL	Base Level	29,741,878	0	29,741,878	100.0	29,741,878	0	29,741,878	100.0
C01	Existing Program	6,000,000	0	35,741,878	120.1	6,000,000	0	35,741,878	120.1

Justification

C01	DCC requests \$6,000,000 in appropriation each year. This request originates from an ongoing commitment on the part of the Transitional Employment Board to continue to transfer 100% federal TANF funds to the Division to be used to support subsidized child care services to low-income working families in this state who are at-risk of entering the welfare system. The additional appropriation will allow for services to approximately 1,587 children annually. No additional funding is requested because 100% federal TANF funds are anticipated.
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Analysis of Budget Request

Appropriation / Program: 890 - Food Prgm

Funding Sources: FWF-DHS-Federal

The Child Care Food Program is 100% federally funded by the U. S. Department of Agriculture and reimburses qualified organizations for nutritious meals provided in public and non-profit licensed child care centers, adult day care centers, day care homes and outside-school-hours centers. Private for profit organizations may qualify if they receive payments under Title XX of the Social Security Act for at least twenty-five percent of their clients. Residential programs are not eligible for participation in this food program.

Programs that participate in the child care food program may be reimbursed for two meals and one supplement or two supplements and one meal per child per day. Reimbursement rates are based on the Consumer Price Index and meal service provided and are announced annually. Sponsoring organizations of day care homes are paid administrative fees of \$86.00 per home per month for the initial 50 homes; \$65.00 per home per month for the next 51 to 200 homes; \$51.00 per home per month for the next 201 to 1,000 homes; and \$45.00 per home per month for additional homes over 1,000.

In addition to the Child Care Food Program, the National School Lunch Program, Special Milk Program, and the Summer Food Service Program are also administered by the Division of Child Care and Early Childhood Education and are 100% federally funded by the U.S. Department of Agriculture. The National School Lunch Program provides reimbursement to schools and licensed child care institutions serving lunches to eligible children. The Special Milk Program provides reimbursement to schools and non-profit child care institutions for serving milk to eligible children. The Summer Food Service Program reimburses organizations for providing nutritious meals and snacks to children during the summer months.

Funding for this appropriation is derived from Federal Revenue.

The Agency Base Level request for this appropriation is \$30,000,000 for each year of the biennium. The Agency Change Level request is \$3,900,000 in FY2006 and \$4,000,000 in FY2007. This additional appropriation will support service growth in the Special Nutrition Program, which is funded by the U. S. Department of Agriculture. These program funds are 100% federal and are uncapped. They can be used to reimburse enrolled providers serving eligible children nutritious meals and snacks. This program has experienced sustained growth over a number of years and this growth is expected to continue.

The Executive Recommendation provides for the Agency Request.

Appropriation / Program Summary

Appropriation / Program: 890 Food Prgm
Funding Sources: FWF-DHS-Federal

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2003-2004	2004-2005	2004-2005	2005-2006			2006-2007		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Grants and Aid 5100004	29,644,862	30,000,000	30,000,000	30,000,000	33,900,000	33,900,000	30,000,000	34,000,000	34,000,000
Total	29,644,862	30,000,000	30,000,000	30,000,000	33,900,000	33,900,000	30,000,000	34,000,000	34,000,000
Funding Sources									
Federal Revenue 4000020	29,644,862	30,000,000		30,000,000	33,900,000	33,900,000	30,000,000	34,000,000	34,000,000
Total Funding	29,644,862	30,000,000		30,000,000	33,900,000	33,900,000	30,000,000	34,000,000	34,000,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	29,644,862	30,000,000		30,000,000	33,900,000	33,900,000	30,000,000	34,000,000	34,000,000

Change Level by Appropriation

Appropriation / Program: 890-Food Prgm
Funding Sources: FWF-DHS-Federal

Agency Request

Change Level		2005-2006	Pos	Cumulative	% of BL	2006-2007	Pos	Cumulative	% of BL
BL	Base Level	30,000,000	0	30,000,000	100.0	30,000,000	0	30,000,000	100.0
C01	Existing Program	3,900,000	0	33,900,000	113.0	4,000,000	0	34,000,000	113.3

Executive Recommendation

Change Level		2005-2006	Pos	Cumulative	% of BL	2006-2007	Pos	Cumulative	% of BL
BL	Base Level	30,000,000	0	30,000,000	100.0	30,000,000	0	30,000,000	100.0
C01	Existing Program	3,900,000	0	33,900,000	113.0	4,000,000	0	34,000,000	113.3

Justification

C01 DCC requests \$3.9 million in appropriation in 2005-2006 and \$4.0 million in appropriation in 2006-2007. This appropriation supports the Child Care Food program. This program is uncapped and 100% federally funded by the Department of Agriculture to reimburse for meals and milk served to eligible children by approved programs. An ongoing effort by the USDA to allow private-for-profit providers to participate as well as increased outreach by the Department has contributed to a strong growth in this program. During SFY 2004, this program has grown by 9.7% - approximately \$3 million. This growth and the uncapped nature of this program led the Division to make this request. No additional funding is requested because 100% federal funding will originate from the U.S. Department of Agriculture.

Analysis of Budget Request

Appropriation / Program: 896 - DHS – Admin Paying Account

Funding Sources: PWP-Administration Paying

The purpose of the Division of Child Care and Early Childhood Education is to enhance the coordination of child care and early childhood education programs within Arkansas. The Division was created within the Department of Human Services to accommodate the transfer of the Early Childhood Commission and the Administration of the Arkansas Better Chance (ABC) program from the Department of Education. Act 1132 of 1997 authorized the transfer of the Early Childhood Commission and the 2% Administrative component of the ABC program to the Department of Human Services. The ABC program administration transfer is under an interagency/contractual agreement with the Department of Education. Rules and Regulations pertaining to the ABC and final authority of the ABC Grant process remains with the Department of Education.

The Division of Child Care and Early Childhood Education is composed of the following sections.

Program Development: This area provides many services to improve child care in Arkansas including Arkansas Better Chance, Arkansas Child Care Facilities Guarantee Loan Fund, training grants, technical assistance to programs, and basic orientation courses for child care staff.

Family Support: This area provides services to Temporary Employment Assistance (TEA) families and other low-income working families by providing subsidized child care services on a sliding fee basis.

Special Nutrition: This area administers four federal food programs funded by the U.S. Department of Agriculture: Child and Adult Care Food Program, the Summer Food Service Program for Children, Special Milk Program, and National School Lunch program. These programs reimburse sponsors for meals and snacks served at approved locations.

Licensing: This area performs on-site reviews of child care centers, licensed homes, and registered homes.

Compliance: This area works with other sections of the Division and other Divisions within the Department of Health and Human Services to coordinate and track issues concerning provider fraud, audits, and investigation of overpayments.

Funding for this appropriation is derived from General Revenue (DCC - Child Care and Early Childhood Education Fund Account), Federal Revenue, and Various Program Support, which includes Child Care Provider License Fees and monies for administration of the Arkansas Better Chance program.

The Agency Base Level request for their Operations appropriation is \$11,686,432 for FY2006 and \$11,827,874 for FY2007. Base Level for this appropriation includes graduated salary increases of 3% to 1.5% each year over FY2005 salary levels, along with related Personal Services Matching costs for 120 Base Level positions. This includes a \$600 minimum increase for employees earning

\$20,000 or below. Included in Personal Services Matching is a \$40 increase in the monthly contribution for State employee's health insurance for a total State match of \$320 per month.

The Agency Change Level request totals \$2,186,507 for FY2006 and \$2,209,444 for FY2007, with no additional General Revenue funding, and is comprised of the following:

- Salary and matching appropriation of \$1,326,236 in FY2006 and \$1,361,509 in FY2007 for restoration of 34 currently unbudgeted positions being transferred to the Division from other Divisions within the Department and restoration of 2 supplemental positions approved in FY2005.
- Appropriation of \$721,671 in FY2006 and \$709,335 in FY2007 in Operating expenses. Of this amount, \$236,795 in both years is for operating expenses of the 26 positions being transferred from the Division of County Operations, \$253,809 in FY2006 and \$241,473 in FY2007 is for administration and monitoring requirements associated with the expansion of the ABC Program, \$108,667 in each year is for the Child Care Licensing Unit, \$22,400 in each year is to conduct an annual market survey of child care providers to ensure that county rate caps used by the Division's subsidized child care program remain current, \$100,000 to print and distribute a Kindergarten Readiness Indicators Checklist calendar for children entering kindergarten and a Teacher Guide.
- Appropriation of \$13,600 in both years in Travel and Conference Fees to allow the Division to provide staff development and training for new employees in the ABC Program, and to support the transfer of 26 staff for Subsidized Child Care.
- Appropriation of \$125,000 per year in Professional Fees to allow the Division to purchase professional services (utilizing contracts) to assist the Division in monitoring and gathering of information necessary for the effective evaluation of the expanded Arkansas Better Chance for School Success program.

The Executive Recommendation denies the Change Level Request in Travel-Conference Fees and reduces Base Level appropriation in this line item by \$16,791 each year of the biennium. It approves the Agency Request for the other line items and restoration and transfer of positions. The Executive Recommendation also provides for position reclassifications recommended by the Office of Personnel Management.

Appropriation / Program Summary

Appropriation / Program: 896 DHS – Admin Paying Account
Funding Sources: PWP-Administration Paying

Historical Data

Agency Request and Executive Recommendation

Commitment Item		2003-2004	2004-2005	2004-2005	2005-2006			2006-2007		
		Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	3,712,893	3,828,878	3,683,397	3,961,371	4,953,765	4,953,765	4,079,555	5,101,415	5,101,415
#Positions		120	120	120	120	156	156	120	156	156
Extra Help	5010001	141,267	153,795	153,796	153,795	153,795	153,795	153,795	153,795	153,795
#Extra Help		13	13	13	13	13	13	13	13	13
Personal Services Matching	5010003	1,095,786	1,188,983	1,061,153	1,255,261	1,589,103	1,589,103	1,278,519	1,618,168	1,618,168
Overtime	5010006	0	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Operating Expenses	5020002	2,121,303	2,062,808	2,062,808	2,062,808	2,784,479	2,784,479	2,062,808	2,772,143	2,772,143
Travel-Conference Fees	5050009	47,277	66,791	66,791	66,791	80,391	50,000	66,791	80,391	50,000
Professional Fees and Services	5060010	4,058,675	4,181,406	4,181,406	4,181,406	4,306,406	4,306,406	4,181,406	4,306,406	4,306,406
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		11,177,201	11,487,661	11,214,351	11,686,432	13,872,939	13,842,548	11,827,874	14,037,318	14,006,927
Funding Sources										
General Revenue	4000010	483,408	527,678		536,809	536,809	536,809	543,304	543,304	543,304
Federal Revenue	4000020	10,462,673	10,826,483		11,013,813	12,400,320	12,400,320	11,147,115	12,556,559	12,556,559
Various Program Support	4000730	231,120	133,500		135,810	935,810	935,810	137,455	937,455	937,455
Total Funding		11,177,201	11,487,661		11,686,432	13,872,939	13,872,939	11,827,874	14,037,318	14,037,318
Excess Appropriation/(Funding)		0	0		0	0	(30,391)	0	0	(30,391)
Grand Total		11,177,201	11,487,661		11,686,432	13,872,939	13,842,548	11,827,874	14,037,318	14,006,927

Change Level by Appropriation

Appropriation / Program: 896-DHS – Admin Paying Account

Funding Sources: PWP-Administration Paying

Agency Request

Change Level	2005-2006	Pos	Cumulative	% of BL	2006-2007	Pos	Cumulative	% of BL
BL Base Level	11,686,432	120	11,686,432	100.0	11,827,874	120	11,827,874	100.0
C01 Existing Program	722,771	0	12,409,203	106.1	717,771	0	12,545,645	106.0
C06 Restored Position	166,363	2	12,575,566	107.6	170,694	2	12,716,339	107.5
C07 Agency Transfer	1,159,873	34	13,735,439	117.5	1,190,815	34	13,907,154	117.5
C08 Technology	137,500	0	13,872,939	118.7	130,164	0	14,037,318	118.6

Executive Recommendation

Change Level	2005-2006	Pos	Cumulative	% of BL	2006-2007	Pos	Cumulative	% of BL
BL Base Level	11,686,432	120	11,686,432	100.0	11,827,874	120	11,827,874	100.0
C01 Existing Program	722,771	0	12,409,203	106.1	717,771	0	12,545,645	106.0
C06 Restored Position	166,363	2	12,575,566	107.6	170,694	2	12,716,339	107.5
C07 Agency Transfer	1,159,873	34	13,735,439	117.5	1,190,815	34	13,907,154	117.5
C08 Technology	137,500	0	13,872,939	118.7	130,164	0	14,037,318	118.6
C10 Reclass	0	0	13,872,939	118.7	0	0	14,037,318	118.6
C19 Executive Changes	(30,391)	0	13,842,548	118.4	(30,391)	0	14,006,927	118.4

Justification

C01	DCC requests \$22,400 in appropriation each year for Operating Expenses to conduct an annual market rate survey of child care providers. DCC requests \$43,667 in appropriation each year for the Child Care Licensing Unit. The Division also requests \$100,000 in appropriation each year for the development and distribution of a Kindergarten Readiness Indicators Checklist, required by Act 825 of 2003. DCC requests \$181,309 in appropriation in Operating Expenses, \$10,000 in Travel, and \$125,000 in Professional Fees in 2005-06 and \$176,309 in Operating Expenses, \$10,000 in Travel, and \$125,000 in Professional Fees in 2006-07 in appropriation for administrative and monitoring requirements associated with the expansion of the Arkansas Better Chance program. DCC is also requesting \$236,795 in appropriation each year for Operating Expenses and \$3,600 in Travel-Conference fees to support 26 additional (currently unbudgeted) staff being transferred from the Division of County Operations.
C06	DCC requests the restoration of two supplemental positions.
C07	DCC requests appropriation for the transfer of 34 positions from other DHS divisions. The transfer of 26 positions is due to a restructuring of subsidized child care eligibility duties between the Division of County Operations and the Division of Child Care & Early Childhood Education. Eight positions are being transferred due to expansion of the Arkansas Better Chance Program.
C08	The Division requests \$65,000 in appropriation each year for the purchase of PC tablet hardware to be utilized in a pilot project by the Child Care Licensing Unit. This state of the art "tablet" hardware would allow the licensing specialists to efficiently gather information on-site via a user-friendly table and then electronically download the information upon return to the office to licensing database. This method of operation will reduce errors, avoid duplication, and greatly assist the unit to get information more quickly and accurately. The Division also requests \$72,500 appropriation in 2005-06 and \$65,164 appropriation in 2006-07 for software and licenses for administration and monitoring requirements associated with expansion of the Arkansas Better Chance program.
C10	The Executive Recommendation is for reclassification of 29 positions.
C19	The Executive Recommendation is for \$30,391 reduction in Travel-Conference Fees in each year of the biennium.

Analysis of Budget Request

Appropriation / Program: 898 - DHS – Grants Paying Account

Funding Sources: PWE-Grants Paying

The passage of the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996, PL 104-193 established the Child Care Development Fund (CCDF). This fund supports all childcare activities conducted across the State by providing assistance for low-income families and families transitioning off welfare with childcare so they can work or attend training or educational programs. Subsidized childcare is available to eligible parents via the State's day care voucher program with the Division of Child Care and Early Childhood Education. Parents may select any legally operating childcare provider in the State. Childcare providers must meet State basic required health and safety requirements. Included are such requirements as immunizations, building safety and health and safety training. A minimum of four percent (4%) of CCDF funds must be used to improve the quality of childcare. Quality activities include training, grants and loans to providers, and health and safety improvements.

In the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, there is specific funding designated for Child Care. Funding received under the Child Care Development Fund by states is in three categories:

- Mandatory: base allocations for states
- Matching: additional available funds if states spend base allocations and provide state match above Maintenance of Effort
- Discretionary: funding designated as the Child Care Development Block Grant (Detailed information can be found in Appropriation 320)

A State's allocation of Mandatory Funds is the greater of the Federal share of expenditures in State childcare programs in 1994 or 1995 (whichever is greater) or the average Federal share of expenditures in State childcare programs for 1992 through 1994. The Matching Funds must be matched by a State at its applicable Federal Medical Assistance Percentage (FMAP) rate. The Maintenance of Effort (MOE) level is the General Revenues spent on childcare in FY1994 or FY1995, whichever is greater. States must maintain this level to receive its share of the Matching Funds.

The funding for this appropriation is derived from General Revenue (DGF - Department of Human Services Grants Fund Account), Federal Revenue, and Various Program Support, which is composed of revenues from the Beer Excise Tax (Act 1841 of 2001) which levied an additional 3 percent tax on alcoholic beverages. The Division receives 20% of these additional revenues for subsidized child care for low-income working families.

The Agency Base Level request for this appropriation is \$28,891,392 for each year of the biennium.

The Agency Change Level request for this appropriation is \$1,993,500 for each year of the biennium. This request originated from an analysis of the prior five years of federal awards. The federal matching portion of the grant has grown at an average of 6.9 percent and continued growth is anticipated. This additional appropriation will go to directly support subsidized child care services to

low-income working families or families in or transitioning from the Temporary Employment Assistance (TEA) program.

The Executive Recommendation provides for the Agency Request.

Appropriation / Program Summary

Appropriation / Program: 898 DHS – Grants Paying Account
Funding Sources: PWE-Grants Paying

Historical Data

Agency Request and Executive Recommendation

Commitment Item		2003-2004	2004-2005	2004-2005	2005-2006			2006-2007		
		Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Grants and Aid	5100004	21,888,169	28,891,392	28,891,392	28,891,392	30,884,892	30,884,892	28,891,392	30,884,892	30,884,892
Total		21,888,169	28,891,392	28,891,392	28,891,392	30,884,892	30,884,892	28,891,392	30,884,892	30,884,892
Funding Sources										
General Revenue	4000010	6,108,232	6,264,998		6,264,998	6,264,998	6,264,998	6,264,998	6,264,998	6,264,998
Federal Revenue	4000020	15,233,100	21,026,394		21,026,394	23,019,894	23,019,894	21,026,394	23,019,894	23,019,894
Various Program Support	4000730	546,837	1,600,000		1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000
Total Funding		21,888,169	28,891,392		28,891,392	30,884,892	30,884,892	28,891,392	30,884,892	30,884,892
Excess Appropriation/(Funding)		0	0		0	0	0	0	0	0
Grand Total		21,888,169	28,891,392		28,891,392	30,884,892	30,884,892	28,891,392	30,884,892	30,884,892

Change Level by Appropriation

Appropriation / Program: 898-DHS – Grants Paying Account

Funding Sources: PWE-Grants Paying

Agency Request

Change Level		2005-2006	Pos	Cumulative	% of BL	2006-2007	Pos	Cumulative	% of BL
BL	Base Level	28,891,392	0	28,891,392	100.0	28,891,392	0	28,891,392	100.0
C01	Existing Program	1,993,500	0	30,884,892	106.9	1,993,500	0	30,884,892	106.9

Executive Recommendation

Change Level		2005-2006	Pos	Cumulative	% of BL	2006-2007	Pos	Cumulative	% of BL
BL	Base Level	28,891,392	0	28,891,392	100.0	28,891,392	0	28,891,392	100.0
C01	Existing Program	1,993,500	0	30,884,892	106.9	1,993,500	0	30,884,892	106.9

Justification

C01 DCC requests \$1,993,500 in appropriation each year. This request originates from an analysis of the prior 5 years of federal award from the Child Care Development Fund Block Grant, Federal Matching Category. This segment of the block grant has grown at an average rate of 6.9% since 2001, and the Division believes this trend will continue. This appropriation will go to directly support subsidized child care services to low-income working families or families in or transitioning from the Temporary Employment Assistance (TEA) programs. No additional funding is requested as 100% federal funds are anticipated from the Child Care Development Block Grant.

Analysis of Budget Request

Appropriation / Program: 929 - Chld Care-Treas Pay

Funding Sources: Guarantee Loan Fund-Cash in Treasury

The Arkansas Child Care Facilities Guarantee Loan Fund was created to provide loan guarantees to assist with the development of new or to expand existing day care facilities with target areas specifically in low income, rural areas of the State that show demonstrated need for child care. Arkansas Code Annotated 20-78-503 created the Arkansas Child Care Facilities Loan Guarantee Trust Fund with initial funds derived from interest income on the investment of state funds. Funds are authorized in \$100,000 annual increments up to a balance of \$350,000. The State Treasurer can replenish the fund when the balance reaches or falls below \$100,000. The funds are designated as Cash Funds and the Agency is authorized to accept monies for the Fund from any source in addition to the allocations from the State Treasurer. The fund is a continuing fund and not subject to fiscal year limitations. Interest that has accrued during a fiscal year that is not required to cover loan defaults occurring that fiscal year is made available for nonrefundable grants to child care facilities for start-up, development, training scholarships, or expansion.

The Division of Child Care and Early Childhood Education is authorized to develop and implement necessary rules and regulations to receive, review, and approve applications for loan deficiency guarantee assistance. Revision of a loan guarantee may be approved when it becomes necessary to ensure adequate childcare financing is available. Loan guarantees should be given the following considerations: geographic distribution, community need, community income, with priority given to those communities with the lowest median family income, proof of viable administrative and financial management, and intended licensure of the facility. The Division is required to report the status of the Loan Guarantee Fund to the Legislative Council each October. In the most recent report (as of September 29, 2003), the Division reports that there are currently four guarantees in place totaling \$61,200. Two guarantees are for renovation of facilities and two are for establishment of new child care centers.

This appropriation was not requested in the last biennium. Thus a cash letter appropriation was requested for FY2004 and FY2005. The Division is requesting that this appropriation be re-established for the 2005-2007 biennium.

The Agency Change Level request for this appropriation is \$100,000 for each year of the biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation / Program Summary

Appropriation / Program: 929 Chld Care-Treas Pay
Funding Sources: Guarantee Loan Fund-Cash in Treasury

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2003-2004	2004-2005	2004-2005	2005-2006			2006-2007		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Loan Guarantee/Grants 5900046	7,051	100,000	0	0	100,000	100,000	0	100,000	100,000
Total	7,051	100,000	0	0	100,000	100,000	0	100,000	100,000
Funding Sources									
Cash Fund 4000045	7,051	100,000		0	100,000	100,000	0	100,000	100,000
Total Funding	7,051	100,000		0	100,000	100,000	0	100,000	100,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	7,051	100,000		0	100,000	100,000	0	100,000	100,000

Change Level by Appropriation

Appropriation / Program: 929-Chld Care-Treas Pay

Funding Sources: Guarantee Loan Fund-Cash in Treasury

Agency Request

Change Level	2005-2006	Pos	Cumulative	% of BL	2006-2007	Pos	Cumulative	% of BL
BL Base Level	0	0	0	x	0	0	0	x
C02 New Program	100,000	0	100,000	x	100,000	0	100,000	x

Executive Recommendation

Change Level	2005-2006	Pos	Cumulative	% of BL	2006-2007	Pos	Cumulative	% of BL
BL Base Level	0	0	0	100.0	0	0	0	100.0
C02 New Program	100,000	0	100,000	100.0	100,000	0	100,000	100.0

Justification

C02	DCC requests the establishment of a new Fund Center and \$100,000 in appropriation each year for the administration of the Arkansas Child Care Facilities Loan Guarantee Trust Fund. This program was created to provide loan guarantees to assist with the development of new or expanded existing child care facilities with target areas specifically in low-income, rural areas of the State that show demonstrated need for child care. Arkansas Code Annotated §20-78-503 (Act 1132 of 1997) created the Loan Guarantee Fund. During the previous biennium conversion DCC failed to include a biennium request to for the appropriation associated with the program. Since that time the Division has requested and received annual Cash Letter approval from the Arkansas Legislative Counsel. This request will rectify the problem and once again identify the program with a unique identification and appropriation for budgeting purposes. No additional funding is requested since funding is already prescribed through the previously identified Act.
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